

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 SAM-01 OES-06

SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01 /101 W

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R 041104Z AUG 76

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 1435

INFO USDOC WASHDC

LIMITED OFFICIAL USTLBEIRUT 6789

3.O. 11652: N/A

TAGS: ENRG, LE

SUBJECT: IMPACT OF CIVIL DISTURBANCES ON PETROLEUM INDUSTRY - LEBANON

1. SUMMARY: CIVIL DISTURBANCES IN LEBANON HAVE SERIOUSLY AFFECTED PETROLEUM INDUSTRY. TRADE SIGNIFICANTLY DWINDLED WHILE FIXED EXPENSES, UNTIL RECENTLY, HAVE BEEN AT NORMAL LEVEL, RESULTING IN SUBSTANTIAL CURRENT OPERATING LOSSES TO OIL DISTRIBUTING COMPANIES. SHELLING OF REFINERIES, OIL BULK TERMINALS, AND RETAIL OUTLETS RESULTED IN MATERIAL AND HUMAN LOSSES. END SUMMARY

2. RECENT DAMAGES: MEDRECO REFINERY, AT SIDON, WAS HIT JULY 6 AND 9; SEVERAL STORAGE TANKS, PIPELINE AND OTHER FACILITIES EITHER COMPLETELY DESTROYED OR SERIOUSLY DAMAGED. DAMAGE ESTIMATES NOT AVAILABLE.

3. OIL COMPANIES' BULK TERMINALS LOCATED AT DORA (NORTHEAST OF BEIRUT) ALSO SHELLED (MOST RECENTLY JULY 24/25). MOBIL, ESSO AND MEDCO TERMINALS SUSTAINED HEAVY PRODUCTS AND PLANT LOSSES, WHILE TOTAL LIBAN BULK TERMINAL WAS ALMOST COMPLETELY DESTROYED. WE LIMITED OFFICIAL USE

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ASSUME THAT LAST SHELLING, FOR WHICH RESPONSIBILITY

CLAIMED BY THE LEBANESE ARAB ARMY (LAA), WAS IN RETALIATION TO THAT OF MEDRECO (IN SOUTH), FOR WHICH RESPONSIBILITY ASSUMED BY SYRIAN FORCES. MATERIAL DAMAGE IN DORA AREA TENTATIVELY ESTIMATED LL 5 MILLION (\$1,470,590).

4. LABOR CUTBACKS: IN VIEW CONTINUED FORCED ABSENCES OF LARGE NUMBER OF EMPLOYEES AND LABORERS FROM WORK, MAJOR OIL COMPANIES APPLIED HALF PAY TO MONTHLY SALARIES, WITH EXEMPTION OF FIRST PORTION OF LL 500 (\$150 APPROX.), THUS GIVING DUE CONSIDERATION TO LOW-PAID EMPLOYEES. SHELL IMPLEMENTED HALF-PAY FOR ABSENCES EFFECTIVE APRIL 1976, AND MOBIL OIL, EFFECTIVE JULY 16, 1976.

5. REFINERIES: I.P. C. TRIPOLI REFINERY: NO CRUDE PUMPED SINCE EXPIRATION SUPPLY AGREEMENT BETWEEN GOL AND IRAQ MARCH 1, 1976, FINISHED PRODUCTS NOW CONFINED TO TRIPOLI AND NORTH. GASOLINE INVENTORY EXPECTED EXHAUSTED EARLY AUGUST 1976, WHILE KEROSENE, GAS OIL AND FUEL OIL STOCKS EXPECTED ADEQUATE FOR TRIPOLI AND NORTH THROUGH DECEMBER 1976.

6. MEDRECO REFINERY: FOLLOWING SHELLING, GASOLINE STOCK THAT COULD BE SAVED (10,000 BARRELS) WAS DELIVERED FOR LOCAL CONSUMPTION. REMAINING KEROSENE GAS OIL INVENTORY EXPECTED MEET REQUIREMENTS SOUTHERN AREA AND WEST BEIRUT THROUGH SEPTEMBER. FUEL OIL IS PLENTIFUL. IT COULD NOT BE SUPPLIED TO EITHER JIEH (IN SOUTH) OR ZOUK MIKHAEL (NEAR BEIRUT) POWER PLANTS DUE RAILROAD OBSTRUCTION FROM CONTINUED HEAVY FIGHTING.

7. IMPORTS: MAJOR OIL DISTRIBUTING COMPANIES NOT IMPORTING GASOLINE TO MEET COUNTRY'S SHORTFALL, DESPITE DEMANDS OF PETROLEUM MINISTER. ACCORDING OIL SOURCES, REASON OIL COMPANIES REFRAIN FROM IMPORTING IS THAT THEIR BULK TERMINALS LOCATED IN AREA AND UNDER RIGHTIST'S

CONTROL MIGHT BE SUBJECT TO SHELLING BY LEFTISTS. FUEL CURRENTLY BEING IMPORTED BY INDEPENDENT DEALERS AS LIMITED OFFICIAL USE

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FOLLOWS:

- A) TANKER CARRYING THREE MILLION LITERS (2,300 M. TONS) GASOLINE MOORED JULY 27 AT JIEH DISCHARGING DIRECT INTO TANK-TRUCKS (UNDER FATAH CONTROL). SELLING PRICE LL20 PER 20-LITERS.
- B) DONATIONS FROM SAUDI GOVT. FIRST SHIPMENT EXPECTED JULY 28 CARRYING 1,000 DRUMS GASOLINE (150M. TONS), 1,000 GAS OIL (170 M. TONS), AND 500 LPG-BUTANE CYLINDERS (60 M.TONS).

C) RELIABLE CONFIDENTIAL SOURCE SAYS THAT LEBANESE ARAB ARMY
(REMNANT OF LEBANESE ARMY NOW ALLIED WITH LEFTISTS AND PALESTINAINS)
CONTEMPLATING IMPORTING 12,000 M. TONS GASOLINE THROUGH MEDRECO.
DISCHARGE AND STORAGE WILL BE MAJOR PROBLEMS.

8. OUTLOOK: STOCKS OF FINISHED PRODUCTS AVAILABLE AT
REFINERIES WILL BE EXHAUSTED SOON. NO REGULAR PETROLEUM
IMPORTS TO MEET SHORTFALL PRESENTLY ENVISAGED. INDEPEN-
DENT DEALERS, RATHER THAN FOL OR MAJOR OIL DISTRIBUTING
COMPANIES, WILL BE IMPORTING PETROLEUM PRODUCTS FOR THE
TIME BEING.

9. PETROLEUM MINISTER ISSUED DECREE JULY 27 REVISING
SELLING PRICES FINISHED PRODUCTS. GOL WOULD RECUPERATE
CRUDE AND REFINING COSTS OF PRODUCTS WHEN BOTH
RE-
FINERIES RESUME OPERATIONS. IN LIGHT FLUCTUATION
CRUDE OIL COST AND DOLLAR EXCHANGE RATE ANOTHER PRICE
REVISION WILL BE NECESSARY. DECREE WILL BE SENT SEPTTEL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, CIVIL DISORDERS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BEIRUT06789
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760300-0336
From: BEIRUT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760889/aaaadaep.tel
Line Count: 135
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUN 2004 by buchant0>; APPROVED <19 OCT 2004 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IMPACT OF CIVIL DISTURBANCES ON PETROLEUM INDUSTRY - LEBANON
TAGS: ENRG, LE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006